

SWC Submission #: **SWCCE-0002**

Negotiation Submission #: _____

STATE WATER CONTRACTORS

1121 L Street, Suite 1050

Sacramento, CA 95814-3944

(916) 447-7357

www.swc.org

Draft-Subject to Review, Draft No. 4

April 26, 2013

TO: Department of Water Resources

FROM: State Water Contractors¹

DATE: May 1, 2013

SUBJECT: Initial Offer for Extension of the State Water Project Water Supply Contracts

PROJECT: State Water Project Water Supply Contract Extension		
No.	Objective	Initial Offer
1	To continue to receive a long-term water supply from the SWP as provided under Article 4 of the Water Supply Contract beyond 2035.	Extend the term of the Water Supply Contracts for 75 years beyond December 31, 2035, while maintaining the evergreen clause for future extensions.
2	To ensure that DWR can finance SWP expenditures beyond 2035 no later than December 31, 2014.	Expedite negotiations and CEQA compliance to ensure timely completion of extension process.
3	To ensure that DWR can extend cost recovery of SWP expenditures as defined in the Water Supply Contracts beyond 2035 no later than December 31, 2014.	Execute amendments to the Water Supply Contracts to avoid the unintentional consequences caused by extending the contract term given the fixed project repayment period defined under Article 1 as commencing on January 1, 1961 and extending until December 31, 2035. Amend all Articles within the Contract that amortize costs within the Project Repayment Period to

¹ The SWC organization is a nonprofit mutual benefit corporation that represents and protects the common interests of its 27 member public agencies in the vital water supplies provided by California's State Water Project ("SWP"). Each of the SWC member agencies holds a contract with the California Department of Water Resources ("DWR") to receive water supplies from the SWP. Collectively, the SWC members deliver water to more than 25 million residents throughout the state and more than 750,000 acres of agricultural lands. SWP water is served from the San Francisco Bay Area, to the San Joaquin Valley and the Central Coast, to Southern California. The SWC's members are: Alameda County Flood Control and Water Conservation District Zone 7; Alameda County Water District; Antelope Valley-East Kern Water Agency; Casitas Municipal Water District; Castaic Lake Water Agency; Central Coastal Water Authority; City of Yuba City; Coachella Valley Water District; County of Kings; Crestline-Lake Arrowhead Water Agency; Desert Water Agency; Dudley Ridge Water District; Empire-West Side Irrigation District; Kern County Water Agency; Littlerock Creek Irrigation District; Metropolitan Water District of Southern California; Mojave Water Agency; Napa County Flood Control and Water Conservation District; Oak Flat Water District; Palmdale Water District; San Bernardino Valley Municipal Water District; San Gabriel Valley Municipal Water District; San Geronimo Pass Water Agency; San Luis Obispo County Flood Control & Water Conservation District; Santa Clara Valley Water District; Solano County Water Agency; and Tulare Lake Basin Water Storage District.



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No.	Objective	Initial Offer
		<p>determine cost recovery or that are used to define a billing component for the State Water Project.</p> <p>The objective is to convert the amortization repayment calculation for Conservation Facility and Transportation Capital to an annual pay-as-you-go recovery method. Annual recovery would be based on the annual minimum OMP&R costs and annual debt service. The current over/under recovery balance for each of the amortized billing components will continue to be amortized and recovered until December 31, 2035.</p> <p>Effectively, freezing the current cost recovery method for historical costs and converting to a “pay-as-you-go” for future Conservation Facilities and Transportation Capital costs incurred after the date of the contract extension amendment.</p>